

Revenue Review

Tennessee Department of Revenue

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REVENUE ...
Working For You



April 2006

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You can receive notices and other publications instantly by signing up on one of the department's ListSers?

Visit our Web site to subscribe to Revenue-News or lists dedicated to county clerks and city officials.

Contact Us:

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(800) 342-1003

Linda Kelley Joins Revenue's Management Team as Taxpayer Services Director



Commissioner Loren L. Chumley announced Linda Kelley as the department's new director of Taxpayer Services in November 2005. Linda leads the division that serves as the customer-service unit of the agency, handling taxpayer registration for 29 different taxes and assisting taxpayers with online business registration and electronic filing. The division's responsibilities include the call center, which handles inquiries from tax practitioners and the general public, as well as taxpayer education activities. Linda also serves as a liaison with other government agencies and members of the private sector.

Linda brings more than 20 years of management experience to Revenue. Prior to joining the department, she served as a management and communications consultant. A Nashville native and Brentwood resident, Linda has worked for several local companies including United Cities Gas Company and Genesco, Inc.

"We are excited to add Linda's knowledge and talents to our skilled leadership team as we maintain our commitment to education as one of Revenue's top priorities," said Commissioner Chumley.

"I am glad to be back in state government," Linda said. "I bring an outsider's perspective into a division where almost all of the employees are longtime employees of the department. While we are fortunate to have employees with years of experience in Taxpayer Services, someone like me can easily relate to the taxpayer who needs information and doesn't know where to go."

Linda's background has included working alongside accountants, attorneys and financial analysts, and her past responsibilities often included communicating complex financial and legal matters to the general public.

"I believe my experience communicating difficult subject matter to both technical and non-technical audiences will be advantageous to me in this position," Linda said.

"We will continue to focus on the same areas that are important in any well-run organization – issues like customer service, quality control, and the training and development of our employees," said Linda. "And, of course, we will be looking at areas where we can make improvements."

Questions the new taxpayer services director is asking to see if improvements can be made include:

- "Are we doing the best we can to educate the taxpayers about the tax laws we administer?"
- "Can we make the tax registration process, filing process, payment process, less confusing and more timely?"
- "Do our employees need more training, and are they focusing on what's important?"
- "Where are we falling short—in terms of what services taxpayers expect from their state department of revenue?"

"I am very pleased to be in a position where I feel like I can make a positive difference," Linda said.

Registration Requirements for State and Local Government Contractors

Many businesses that have contracts with the state of Tennessee and its local governments are unaware that they are required to register with the Department of Revenue to collect and remit sales and use taxes. Pursuant to Tenn. Code Ann. Section 12-4-120, a company **and its affiliates** contracting to supply goods or services to the state of Tennessee or other state entities must register prior to entering into the contract. "Other state entities" include counties, cities, municipalities, and any other political subdivision of the state of Tennessee. "Affiliates" mean any person controlling, controlled by or under common control with such person.

As part of its ongoing efforts to discover unregistered taxpayers, the Department of Revenue has started contacting vendors with current contracts with the state or other state entities. The contractors are asked to review their records and remit any sales or use taxes due from Jan. 1, 2003, forward.

For more information on this, call the Audit Division's Discovery Unit at (615) 532-6409.

Frequently Asked Electronic Payment Questions

Q: When am I required to file a return and submit payment electronically?

A taxpayer is required to file a return and submit payment electronically once the taxpayer's average tax payments meet the minimum threshold. The threshold for sales and use tax is \$5,000. The Tennessee Department of Revenue will notify any taxpayer whose tax payments meet the minimum threshold of the requirement for electronic returns and payments.

Q: What if I do not own a computer?

The Tennessee Department of Revenue can provide you with paper copies of the electronic commerce registration documents upon request. We provide computers in our Nashville office, as well as in all of our regional offices for taxpayers to use in filing their returns.

Q: If I file today, do I have to make a payment today?

No. You have the option of filing your return without a payment. However, you are required to make payments in readily available funds by the 20th of the month in order to avoid the assessment of penalty and interest.

Q: Is all the information I provide confidential?

Yes. Taxpayer confidentiality provisions in Tenn. Code Ann. Section 67-1-1702 state that all returns, tax information, and tax administration information shall be confidential. In addition, except as authorized in the law, no officer or employee of the state or any other person who has access to such information can disclose any tax information obtained as a result of performance of the officer or employee's duties or obtained by any other means.

Reminder: Sales Tax Holiday Aug. 4 - 6, 2006

The state of Tennessee will hold its first sales tax holiday this August. During the holiday, the following items are exempt from sales and use tax: 1) clothing with a price of \$100 or less per item; 2) school supplies with a price of \$100 or less per item; and 3) computers with a price of \$1,500 or less per item. The January 2006 *Revenue Review*, which may be found at www.Tennessee.gov/revenue, provided detailed information on the sales tax holiday. In the near future, the department will be issuing Important Notices to retailers.

We want to hear from retailers: if you have specific questions about how the holiday affects you, please send us an e-mail at salestax.holiday@state.tn.us. We will compile answers to the questions and update them on our Web site.

Revenue's Enhanced Use Tax Compliance Efforts Prove Successful


During 2005, the Tennessee Department of Revenue began contacting professional service firms as part of its ongoing efforts to discover and collect unpaid use taxes. The department sent letters to more than 3,200 dentists and doctors to request a review of their records for use tax liabilities. As of Jan. 30, the department had collected more than \$998,000 in use tax.

Professional service firms that did not respond to the department's previous requests have recently received a final request. Firms not responding to this final request can expect to receive estimated tax assessments.

Dentists and doctors were only the first professional services groups to receive letters from the department. Other types of professional service firms will be contacted in the coming months.

When a consumer – whether a company or individual – buys merchandise outside of Tennessee, online, or through a catalog and the seller of the merchandise does not collect sales tax, the consumer has a legal obligation to file and pay use tax. Purchasing items outside of Tennessee, physically or electronically, does not exempt someone from paying use tax if an equal amount of sales tax was not paid to another state at the time of purchase.

For more information or to file a use tax return online, please visit Revenue's Web site, www.Tennessee.gov/revenue.

	<p>You may owe gift tax if you:</p> <ul style="list-style-type: none">• Quitclaim property to someone, such as a child• Transfer property to someone for less than the fair market value <p>Questions? Need more information? Call (615) 532-6438.</p>
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The Department of Revenue will be matching gift tax data from the Internal Revenue Service for 2002 to determine Tennesseans with potential gift tax liability. Income tax matching programs have resulted in over \$6.5 million from unreported or underreported income tax liability.

Reminder: Extensions for Filing of Income and Franchise/Excise Taxes

The Department of Revenue wants to remind taxpayers of their options for obtaining extensions for the filing of income tax and franchise, excise tax returns.

Income Tax Automatic Extension

Individual (Hall) income tax filers do not need to file a request for extension separate from the tax return. An automatic six-month extension of time will apply if the taxpayer attaches a written request to his or her tax return filed on or before the extended due date of the return. Taxpayers may use either an extension form from the Department of Revenue (INC 251) or the taxpayer's federal request for extension filed for the corresponding tax period.

Interest will accrue on the unpaid amount from the original due date of the return until the tax is paid. However, penalty will not apply if the request for extension form is filed with the return and the return is filed and the amount due is paid on or before the extended due date.

Franchise and Excise Tax Extensions

A six-month extension of time to file the franchise and excise tax return will be granted if a taxpayer has paid at least 90% of its tax liability for the tax year by the statutory due date of the return.

If the 90% payment requirement has been met by the statutory due date of the tax return, the taxpayer is not required to file the state extension form by the due date. However, the taxpayer must file the state form (FAE 173) or a copy of the federal extension form with the tax return, and the return must still be filed by the extended due date.

If a payment is required and the taxpayer does not file its federal return on a consolidated basis, then the taxpayer may use either the state extension form or a copy of its federal extension form to file with the payment. The form must be filed with the extension payment on or before the original due date of the return.

If a payment is required and the taxpayer files its federal return as part of a consolidated group, the taxpayer must use a state extension form for each member of the consolidated group. Each form must be filed with the appropriate extension payment on or before the original due date of the return.

What to do if you suspect tax fraud:

Call Revenue's toll-free tax fraud hot line (800) FRAUDTX, (800) 372-8389.

You can report suspected tax fraud **anonymously**; you do not have to give your name, phone number or any other identifying information.

To learn more about tax fraud, visit the department's Web site at www.Tennessee.gov/revenue.

Report Tax Cheats!

TDR is serious about tax fraud. From December 2005 through February 2006, several news releases were issued related to fraud investigations handled by our Special Investigations Unit.

Jerry Ray Chapman, d/b/a Choo Choo Computer Forms of Chattanooga, Tenn., turned himself in to authorities of the Hamilton County Sheriff's Office on Feb. 16, on charges of sales tax evasion. Chapman was indicted by the Hamilton County Grand Jury on 13 counts of sales tax evasion, and charged with failing to file sales tax returns, failing to report taxable sales of \$237,264.29, and failing to remit \$21,632.64 in sales tax collected.

Robin Ellis, owner of Robin Ellis Paint & Body Repair of Humboldt, Tenn., surrendered himself to authorities of the Trenton Police Department on Feb. 15. Ellis was indicted by the Humboldt Grand Jury on three counts of sales tax evasion for filing false sales tax returns for his business during the period Jan. 1, 2000, through Dec. 31, 2002. These fraudulent actions resulted in Ellis failing to remit \$20,657 of tax collected. Ellis also was indicted on one count of theft over \$10,000.

On Feb. 14, Donald Lee Phipps, owner of Sam's Liquor Store, pled guilty to one felony count of theft over \$10,000 in Hamilton County Criminal Court. Phipps was sentenced to three years, suspended, and placed on unsupervised probation, and was ordered to pay restitution to the state in the amount of \$33,731.73.

Glen Irven McCarthy, president of Gourmet Pizza Plus, Inc. in Hendersonville, Tenn., pled guilty to 21 Class E felony counts of sales tax fraud on Jan. 26. The indictment leading to the felony conviction charged McCarthy with filing false sales tax returns, failing to report \$546,202.47 of taxable sales for the business and failing to remit \$49,139.26 of the sales tax collected and due.

On Jan. 5, the Shelby County Grand Jury issued indictments that led to the arrest of two separate Shelby County business owners. David R. Thomas, owner of Thomas Auto Sales in Memphis, was arrested on sales tax evasion and theft charges under an indictment charging him with filing false and fraudulent monthly sales tax returns, failing to remit sales tax collected to the state, and hindering the state by failing to provide all records of sales.

Howard Reed, owner of The Final Detail, Inc., in Cordova, Tenn., was arrested on sales tax evasion and theft charges. The indictment specifically charged that Reed intentionally failed to register with the state, that he failed to file state sales tax returns, and he failed to remit state sales taxes collected from his customers.

Jimmy Scott Chambers of Pleasant View, Tenn., was arrested on sales tax evasion charges on Dec. 7, 2005, following an indictment issued by the Cheatham County Grand Jury on five counts of sales tax fraud. The indictment charged that Chambers unlawfully and willfully attempted to evade \$7,856.30 in sales tax due the state of Tennessee by filing false vehicle registration documents with the Cheatham County Clerk's Office.

Revenue Review

www.Tennessee.gov/revenue

Save the Date: Upcoming Seminars and New Business Workshops Across the State

Visit www.Tennessee.gov/revenue and click on "Seminars, New Business Workshops and Speakers" to learn more.

May

May 11 – New Business Workshop, Chattanooga

May 11 – New Business Workshop, Johnson City

May 11 – New Business Workshop, Memphis

May 17 – New Business Workshop, Knoxville

May 23 – New Business Workshop, Nashville

July

July 13 – New Business Workshop, Chattanooga

July 13 – New Business Workshop, Johnson City

July 19 – New Business Workshop, Knoxville

July 25 – New Business Workshop, Nashville

July 27 – New Business Workshop, Memphis

August

Aug. 16 – Tennessee Business Taxes, Austin Peay State University, Clarksville

Aug. 24 – Tennessee Business Tax, DoubleTree Hotel (Middle Tennessee State University), Murfreesboro

September

Sept. 27 – Tennessee Business Tax, University of Tennessee, Knoxville

Online Sales Tax Filing Statistics

Month	Number of Returns	Total of Amount Collected
November 2005	13,624	\$142,036,346
December 2005	13,953	\$139,423,712
January 2006	16,198	\$173,435,508

Contact Us

- Taxpayer hot line: Statewide toll-free (800) 342-1003; Nashville-area and out-of-state callers should call (615) 253-0600.
- Online tax help by e-mailing TN.Revenue@state.tn.us.
- Streamlined Sales Tax hot line: In Tennessee, call (877) 250-2299. In Nashville and outside Tennessee, call (615) 253-0752.
- Streamlined Sales Tax online assistance by e-mailing Streamlined.Salestax.QandA@state.tn.us.
- Tax practitioner hot line: Statewide toll-free (800) 387-8395; Nashville-area and out-of-state callers should call (615) 253-0700.
- Local government hot line: (866) 562-2549.
- E-mail updates: Visit our Web site, www.Tennessee.gov/revenue, to subscribe to Revenue-News or lists dedicated to county clerks and city officials.
- Electronic commerce hot line: Statewide toll-free: (866) 368-6374. Nashville-area and out-of-state callers should dial (615) 253-0704.
- Speakers bureau: (615) 741-3580.
- Tax fraud hot line: To report tax fraud, call (800) FRAUDTX (372-8389).

January Collections

January 2006 collections of the Tennessee Department of Revenue were \$954,331,652, an increase of \$25,010,243 or 2.7% over January 2005 collections. Sales and use tax collections were \$672,806,096, up \$52,401,457 or 8.4% over January 2005 collections. Consumer use tax collections were up 128.9% over January 2005 collections. Franchise and excise tax collections were \$118,999,764, down \$30,516,680 or 20.4% when compared to January 2005 collections. Collections from the privilege taxes were \$25,689,445, an 18.1% or \$3,936,151 increase over total privilege taxes collected in the same period last year.

Did You Know...

Tax collections and statistics are a click away on Revenue's Web site? Go to www.Tennessee.gov/revenue and click on "Tax Collections and Statistics" to access.

We Want Your Feedback

We work each day to serve our customers. Your feedback on our customer service and our Web site helps us provide outstanding service and meaningful, useful information on the Internet. To let us know how we're doing and how we can better meet your needs, visit our Web site, www.Tennessee.gov/revenue, and click on "We want to hear from you!" Separate surveys related to our service and our Web site are available for online completion.

Are you a registered taxpayer? If YES, we need your tax contact's e-mail address, so we can e-mail information in the future. Call toll-free (800) 342-1003; Nashville-area and out-of-state callers, dial (615) 253-0600.



Authorization number 347193: 137,305 copies: November 2005. This public document was promulgated at a cost of \$0.0555 per copy, Tennessee Department of Revenue.